Bowling Green State University (“BGSU”)
Detached Greek Chapter Houses
Potential Ground Lease & Operating Terms
(As of September 2012)

The following potential ground lease and operating terms are intended to be used as a starting point for discussions with BGSU Greek Organizations (defined below) interested in developing a detached chapter house and related improvements (“Chapter House”) pursuant to a ground lease (“Ground Lease”). Nothing contained here should be construed as final and BGSU reserves the right to change any/all of the terms below.

- **Parties to the Lease:** CFP #__ LLC (a BGSU-affiliated entity, “Lessor”, and referred to as “University Affiliate”) and an (inter)national Greek Organization (or national affiliate thereof) or locally-formed House Corporation affiliated with a BGSU-registered Greek Organization as reasonably acceptable to University Affiliate (“Lessee”, and referred to as “Greek Organization”).

- **Property to be Ground-Leased** – A Greek Housing lot (“Lot”) to be located at a site designated by BGSU within the planned “Greek Village” or otherwise in a mutually-agreed upon location. The Lot to be ground leased will correspond to the footprint of the Chapter House to be constructed thereon.

- **Ground Lease Term:** 40 years. Renewal terms, if any, to be mutually agreed upon between University Affiliate and Greek Organization upon renewal.

- **Ground Rent:** $1 annually for the term; prepaid in the amount of $40 at lease commencement.

- **Right of First Refusal:** The Ground Lease shall include a customary provision whereby the University Affiliate shall have a right of first refusal (“ROFR”) to purchase the Chapter House from Ground Lessee should Ground Lessee pursue a sale. Any sale not to the University Affiliate must be to a BGSU-registered Greek Organization.

- **Default/Termination:** Breach of Ground Lease terms, subject to cure provisions, would constitute a default under the Ground Lease and may result in its termination. In the event of an uncured Ground Lease default, University Affiliate would have the right, but not the obligation, to act on Greek Organization’s behalf to cure said breach and be reimbursed by Greek Organization for any costs or damages including legal fees. In addition, in the event of an uncured default under the Ground Lease, University Affiliate shall have the right, but not the obligation, to purchase the Chapter House from the Greek Organization for a price equal to the greater of the adjusted book value of the Chapter House (net of depreciation) or the then current outstanding debt balance encumbering the Chapter House, if any.

- **Disposition of Building at Conclusion of Lease:** Upon Ground Lease expiration (as same may be extended), Greek Organization shall demolish the Chapter House and deliver to Lessor the site in its original condition.

- **Reservation Fee to Secure Lot:** A reservation fee (“Reservation Fee”) in the amount of $25,000 will be required from each Greek Organization concurrent with execution of a Ground Lease letter of intent (“LOI”) payable to the University Affiliate in consideration of University Affiliate’s project expenses related to a Chapter House and a related Ground Lease. The Reservation Fee is non-refundable.
• **Security Deposit:** The Ground Lease shall require a substantial security deposit in an amount to be determined by BGSU (“Security Deposit”) from each Greek Organization based upon the Greek Organization’s determination of the parameters of its project concurrent with Ground Lease execution to secure performance of Greek Organization’s obligations, including exterior building maintenance standards, common area maintenance charges and other BGSU service charges.

**Development, Financing & Operations:** Greek Organization shall provide for and fund the design, financing, insurance, construction (including lateral utility connections), operation, maintenance, repair, renovation, replacement and cleanup of its Chapter House and Lot.

• **BGSU Design Review and Approval:** Greek Organization’s concept design plans (“Concept Design”) for the Chapter House and Lot are subject to review and approval of BGSU for conformance with design guidelines to be created by BGSU for the Greek Village. Said “Design Guidelines” shall include criteria for external appearance, siting, footprints, setback lines, heights, gross square footages, roads and sidewalks, utilities, utility connections and easements, professionally designed landscape and drainage plan, screening, floor plans, elevations of all sides of the buildings, structures or improvements, ADA, safety and security, signage, lighting, materials for all external surfaces, trash and recycling, etc. Final working drawings and construction documents are subject to review, approval and permitting and inspections by BGSU and appropriate regulatory authorities, or their designees.

• **Construction:** The Ground Lease shall contain a provision that construction of Greek Organization’s Chapter House and related improvements shall commence within twelve (12) months of the effective date of the Ground Lease or said Ground Lease shall be subject to termination by University Affiliate. Commencement of on-site construction shall be subject to prior approval by BGSU of a construction plan (“Construction Plan”) for the Lot. Said Construction Plan shall include, but not be limited to, plans and parameters for time of construction (days of week, times of day, blackout days or periods, etc.), construction staging, construction worker parking, traffic control plans and other terms and conditions intended to coordinate with and minimize on BGSU any impacts of construction, traffic, etc.

• **Equity Financing:** The Chapter House equity requirement will be determined by each Greek Organization’s financing arrangements. Be prepared that this amount could range anywhere from 25% to 50% of total development costs (“Total Development Costs”). Proof of equity financing satisfactory to BGSU is a condition precedent to entering into the Ground Lease.

• **Debt Financing:** University Affiliate will require that no more than 75% of Total Development Costs be financed with secured debt (“Leasehold Mortgage”) encumbering Greek Organization’s Chapter House.
  
  o University Affiliate will not subordinate its Leased Fee Interest in the Lot (the Ground Leased Land) to any financing.
  
  o Lender may foreclose upon Greek Organization’s Chapter House.

• **Required Reserves:** Greek Organizations should anticipate that they will be required by their lender to make monthly payments and also potentially an initial contribution into a repair & maintenance reserve (“R&M Reserve”) to be used to pay for capital expenditures for interior and exterior repair and maintenance. Use of the R&M Reserve for capital expenditure projects may be subject to approval of the lender.
• **Operation:**

  o **Rent Collection:** If requested, BGSU shall bill student’s bursar account for rents, collect and submit rental funds as received to accounts specified by the Greek Organization (or their lender) on a timely basis, net of an administrative charge established as a percentage of rents collected.

  o **Parlor Fees:** Greek Organization may establish Parlor Fees to be charged to members as part of their pro-forma operating and financing plan for the Chapter House. If requested, BGSU could bill, collect and distribute Parlor Fees from Greek Organization members under similar terms and conditions as outlined above for rents.

  o **Utility Charges:** Utilities, including heating, air conditioning, electricity, gas, water, sewer, cable, telephone, telecommunications, garbage collection and extermination services will be provided by BGSU to the Chapter House (either directly or contracted to a third party provider) and will be billed monthly to each Greek Organization.

  o **Common Area Maintenance:** For the common areas located within the Greek Village (but external to the Chapter Houses), BGSU will provide grounds, landscape and hardscape repairs and maintenance, trash and snow removal, common area utilities (water, lighting, etc.), insurance and other services. Each Chapter House will be assessed its share of these charges monthly, which shall be payable to BGSU.

  o **Chapter House Interior Condition:** BGSU shall establish standards for the maintenance and condition in which Greek Organizations shall maintain the interiors (including plumbing and other fixtures and equipment) of the Chapter Houses (“Interior Maintenance Standards”). BGSU shall make periodic inspection of the Chapter Houses to determine conformance with the Interior Maintenance Standards. Failure of a Greek Organization to meet Interior Maintenance Standards (after notice and cure period) may result in disqualification of the Chapter House as “On-Campus Housing” for purposes of BGSU’s on-campus residency requirements.

  o **Property Tax:** Each Greek Organization is responsible to pay its own real property taxes (or possessory interest taxes), if assessed on the Chapter House or Lot.

  o **Insurance Requirements:** The Ground Lease shall include minimum insurance requirements including property and casualty and comprehensive general liability insurance, all of which policies shall name the University Affiliate and BGSU as additional insureds. This will include insurance of building and improvements for fire, vandalism, malicious mischief and special extended coverage in amount adequate to cover cost of replacement of structures including alterations, furnishings, decorations, additions, fixtures and improvements. A comprehensive liability insurance policy shall also be required with coverage of not less than $2,000,000.

• **Parking:** BGSU shall make parking permits available for purchase by all residents of the Greek Village consistent with BGSU residential student parking policy, as modified over the term. Parking shall not be permitted on individual Lots.
• **Exterior Maintenance Standards:** The Ground Lease shall contain exterior maintenance standards, the default of which University Affiliate shall have the right to cure, at the expense of Greek Organization including funding from the Security Deposit (and subject to an obligation of Greek Organization to replenish such Security Deposit). Design and construction shall be subject to review and approval as set forth below.

• **Environmental Contaminants:** The Ground Lease shall contain a provision precluding the use or possession of environmental contaminants on Lot, other than ordinary household cleaners stored appropriately and used in the ordinary course of cleaning and maintenance. In connection with the turning over of the Lot back to the University Affiliate upon expiration of the Ground Lease, or its earlier termination, Greek Organization shall commission a Phase I environmental report (as well as a supplemental Phase II report, if recommended in the Phase I report, together the Phase I and Phase II reports are the “Environmental Report”) for review and approval of BGSU and shall be obligated to perform any remediation stipulated in the Environmental Report.

• **BGSU Access:** BGSU to be afforded access to the Chapter House and Lot, to view use and condition of Lot and Chapter House and for designated University official (e.g., Campus Activities and Residence Life staff members), police, fire, public safety or other emergency service as deemed necessary and appropriate; Greek Organization to provide BGSU with master keys to the Chapter House.

• **Use:** The Ground Lease shall contain a use restriction for the Lot and Chapter House. Said restrictions shall afford occupancy of the Chapter House to BGSU-registered Greek Organizations, or other BGSU-registered student organizations in Good Standing with BGSU, students enrolled at BGSU, or other BGSU or University Affiliate uses, all in accordance with provisions of University policies and consistent with how the University administers Chapter Facilities it owns/operates (“Approved Uses”) as approved in writing by BGSU. Said Approved Uses shall be for the purposes of providing housing including food preparation, meeting and activity facilities for BGSU registered fraternities, sororities, student organizations or BGSU students which may use the space for social, educational, or fundraising activities, provided activities are consistent with policies of BGSU governing student organization activities.

• **Subletting:** Greek Organizations may lease or sub-lease the Chapter House for Approved Uses.

• **Operations/Default Provisions:** Greek Organization shall maintain itself in good standing with BGSU; shall keep the property clean at all times; provide timely interior and exterior repairs and replacements. BGSU may provide exterior repairs, at Greek Organization expense, should Greek Organization fail to timely do so.

• **Governance:** Daily life will be controlled and governed by BGSU’s Student Handbook, specifically but not limited to Student Organization policies, Community Living Standards, and the BGSU Code of Student Conduct.

• **Charitable Contributions:** BGSU Foundation is willing to consider accommodation of certain charitable contributions from Greek alumni or supporters that would be applied towards the cost of construction of Chapter Houses. Terms must conform to U.S. Internal Revenue Service regulations that limit tax-deductible contributions towards Greek Chapter Houses to the portion of Chapter House development costs related to spaces (and equipment) deemed used for “educational purposes”. Any
such charitable giving program would be predicated upon a written opinion of legal counsel stipulating the percentage of building area that would qualify as educational space.

Next Steps: Greek Organizations wishing to proceed with planning and development of a Chapter House pursuant to a Ground Lease with University Affiliate would proceed according to the following requirements and schedule:

1) LOI – Enter into an LOI with University Affiliate generally on the terms and conditions as outlined herein including payment of the Reservation Fee. During the initial one-year term of the LOI (as same may be extended by the parties), Greek Organization shall complete the following milestones:

a) Prepare a Concept Design and submit to BGSU for review and approval;
b) Prepare a development cost budget outlining all costs necessary for planning, design, construction and financing of the project; and
c) Prepare a Financing Plan outlining the capital structure to finance the project including evidence of debt and equity financing commitments satisfactory to BGSU.

2) Ground Lease – Once the LOI milestones are completed by the Greek Organization and approved by University Affiliate, the parties will enter into the Ground Lease under the general terms and conditions as set forth in the LOI and such other conditions as to be agreed upon by the parties. The Ground Lease will require that construction commence within twelve (12) months of the effective date of the Ground Lease and construction shall be completed and certificate of occupancy issued within eighteen (18) months of commencement of construction.

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